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COORDINATING COMMITTEE
MEMORANDUM FROM THE UNITED STATES DELEGATION
ON
NON-MEMBER COUNTRY COOPERATION AND RELATIONS--SWEDEN
SUBCOMMITTEE ON EXPORT CONTROLS

1. Swedish export controls and diversions of strategic goods to the Soviet Bloc via Sweden have been the subject of several memoranda and discussions in COCOM and the Subcommittee on Export Controls in the past two years.

2. Memoranda submitted by the United States to the Committee in 1958 (Documents 3030 and 3269) contained reports on diversions of embargoed non-ferrous metals moving through Sweden or being consigned ostensibly to Sweden but in fact being diverted to the Soviet Bloc by various channels. In those documents attention was called to the limitations of Swedish export controls, particularly as they concerned re-exports to free world countries, and the need for COCOM countries to ensure the reliable end-use of the strategic commodities being shipped to Sweden.

3. A general outline of non-member country controls was submitted by the United States for Subcommittee consideration in October 1958 (COCOM Document 3260). In this memorandum Swedish controls were summarized as follows:

"Sweden has maintained export licensing controls over strategic items proposed for shipment to the Soviet Bloc. Generally such exports are not approved. However, Sweden does not normally exercise adequate export licensing controls or employ IC/DV procedures with respect to strategic items being shipped to non-Soviet Bloc destinations, and Swedish exports to friendly destinations are thus susceptible to diversion via transit in member and non-member countries. The non-member countries in particular, not having transit controls, have no legal basis for preventing the enforwarding of such shipments. In addition, the PC's themselves may often fail to exercise adequate precautions in licensing strategic items to Sweden, and shipments from PC's to Sweden permitted without adequate checking have been re-exported from Sweden to the Bloc or have been diverted to the Bloc before reaching Sweden.

"With respect to transit controls, it has been previously reported to COCOM that Swedish regulations require a Swedish export license for all physical transshipments to the Soviet Bloc, with the exception of goods moving through Swedish free ports on a through bill-of-lading. Sweden has also been able and willing informally to detain transit shipments even when moving through Sweden on a through bill-of-lading.

"Sweden has no objection to the detention by COCOM countries of embargo goods originating from Sweden and transiting through COCOM countries to the Soviet Bloc without a Swedish export license having been issued for a Soviet Bloc destination. In cases where a Soviet Bloc destination is authorized, a certified, photostatic copy of the Swedish export license will be available."

4. In his report on the November 1958 Subcommittee meeting, the Chairman recommended that extensive use should be made of diplomatic channels in determining the end-use of goods consigned to Sweden (Annex to COCOM Doc. Sub C(59)1, para. 26(4)).

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5. To bring the above information on Swedish controls up to date, the following developments should be noted:

a. At the May 1959 meeting of the Export Controls Subcommittee, the reliability of customs arrival documents issued by Sweden was considered. The German delegation, which had looked into this question at the previous request of the Subcommittee, indicated that customs arrival documents issued by Sweden and called "Tullsedel" were valid and could be accepted as justification for approving the shipment of strategic commodities to Sweden.

b. Effective January 1, 1960, Swedish export control regulations were amended to permit a wider range of commodities to be freed from export licensing requirements when exported to most countries. The list of countries to which the relaxations apply does not include the Soviet Bloc or Communist China. (Licenses will still be required for all exports to those countries.) It is understood that the practical effect of these relaxations is to permit the export from Sweden to all non-Soviet Bloc countries of almost all items found in the general export trade. Items still requiring export licenses appear to be certain agricultural products, items in short supply in Sweden, and those imported into Sweden for local consumption such as petroleum products, coal and coke, etc. Atomic energy materials, arms, ammunition, and other items which can be classified as defense equipment, are controlled separately.

6. In the opinion of United States authorities, diversions of strategic goods consigned to Sweden continue to be a serious problem in the application and enforcement of international control arrangements. The problem essentially still arises from (a) the lack of Swedish licensing control over exports and re-exports to Free-World countries and the utilization of this loophole by unscrupulous East-West trade operators and (b) difficulties in obtaining reliable end-use information under such conditions relating to proposed strategic exports to Sweden. Embargoed goods of United States origin not authorized for delivery to Soviet Bloc destinations have been diverted via Sweden or through the active participation of certain traders in that country. These diversions and attempted diversions include United States electronic equipment, borates, molybdenum, tungsten, tantalum and cobalt. Diversions of IL I electronic equipment have been especially prominent. Goods originating in other countries which the United States believes to be embargoed have also been involved in these diversions and attempted diversions. Several of the Swedish firms involved in such transactions have been the subject of court actions in Sweden.

7. Because of the limitations of the Swedish export licensing system, United States licensing officials have not followed the practice of requesting or utilizing the "Tullsedel" document. Although the document may serve the purpose of noting delivery in Sweden, it does not offer a guarantee against subsequent unauthorized re-exportation. Diversion of the shipment can be accomplished by re-export ostensibly to a non-Soviet Bloc destination without the benefit of Swedish export licensing control, whence it may move in transit to the Soviet Bloc.

8. In view of the increased evidence of diversion of strategic commodities, the United States has recently modified its current procedures for licensing exports to Sweden so as to require full disclosure of the intended end-use and identification of the actual end-user in order to insure that strategic shipments consigned to Sweden, directly or indirectly, are for use and consumption in Sweden by reliable users. These matters have been discussed with Swedish officials who are now studying measures to alleviate the problem.